

# Quiet Riot



***On Secrecy &  
Kleptocracy***

# For a **sociology** of offshore finance

- thesis: explaining 21<sup>st</sup>C global inequality requires analysis of offshore finance
  - from economists: min \$12 *trillion* in private wealth is offshore—12% of global GDP!—costing \$110+B in taxes yearly worldwide (Alstadsæter et al. 2024); corporate offshore costs \$500+B in taxes
- what's offshore finance? depends whom you ask...
  - economists: a global system of tax havens for individuals & firms
  - geographers: a transnational financial network inhabited by elites
  - political scientists: a zone of elite political contestation
  - me, a sociologist: offshore finance is a social technology to produce **secrecy**, making all the above phenomena possible

Sim

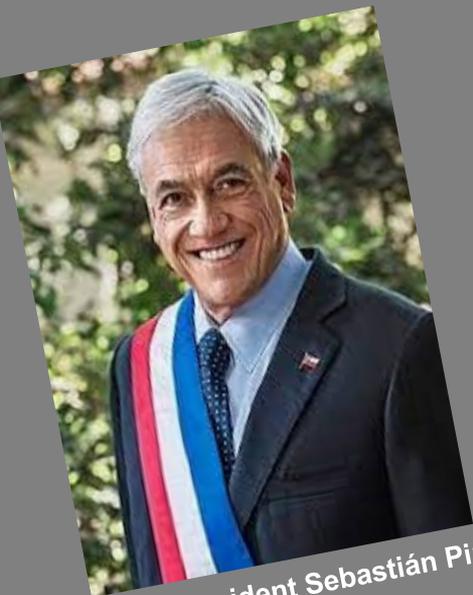
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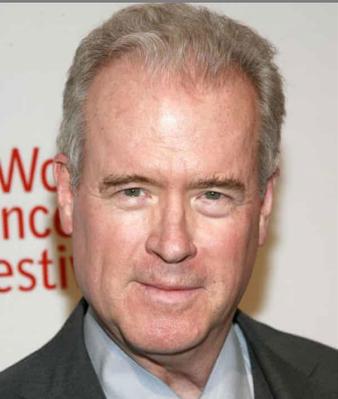


Chilean President Sebastián Piñera

# Meet the Kleptocrats!



Former Czech PM Andrej Babiš  
Kenyan President Uhuru Kenyatta  
King Hussein of Jordan



Hedge fund Manager  
Robert Mercer

Putin's BFFs



Igor SECHIN Head of Rosneft  
 Andrey KOSTIN Head of VTB Bank  
 Vladimir YAKUNIN Head of Russian Railways  
 Alexey MILLER Head of Gazprom  
 Gennady TIMCHENKO Owner Gunvor

# Far-right leader's aides named in Panama Papers scandal

Aides to French far-right leader Marine Le Pen put in place a "sophisticated offshore system" to hide money, *L'Espresso* newspaper reported on Tuesday in the latest disclosure from the Panama Papers.

Issued on: 05/04/2016 - 12:23 Modified: 05/04/2016 - 17:10



France's far-right National Front leader Marine Le Pen Reuters/Alessandro Garofalo

By: RFI with Mike Woods [Follow](#)

The aim of the system, which **sent funds to Hong Kong, Singapore, the British Virgin Islands and Panama**, was "to get money out of France, through shell companies and false invoices, to evade French anti-money-laundering authorities," *Le Monde* reported.

ADVERTISING

## ESCLUSIVO: ALLA LEGA SOVRANISTA DI MATTEO SALVINI PIACE OFFSHORE



Da Bergamo al **Lussemburgo**, via Lugano. Lungo questa direttrice si dipanano gli affari dei cassieri del partito scelti dal segretario neo ministro degli Interni

In via Angelo Maj 24, a Bergamo, c'è un piccolo studio contabile di proprietà di Andrea Manzoni e Alberto Di Rubba. Due professionisti come tanti, se non fosse per la loro ascesa, a partire dal 2014, all'interno dell'amministrazione del partito di Salvini. Alla coppia, poco nota alle cronache, si aggiunge un terzo uomo, più conosciuto: Giulio Centemero, il tesoriere ufficiale del partito, voluto dal leader che ha portato la Lega all'exploit elettorale del 4 marzo. Centemero è stato eletto alla Camera alle ultime elezioni, ma è soprattutto l'uomo ingaggiato da Salvini per gestire i conti dopo gli scandali della truffa sui rimborsi elettorali durante la gestione di Umberto Bossi e Francesco Belsito. Di Rubba, Manzoni e Centemero: i cassieri di Matteo, insomma.

the ongoing vaccine research, according to the U.S. company behind it. Southern Illinois University also trumpeted the research and the study's lead researcher, even though he did not rely on traditional U.S. safety oversight in the first trial, held on the Caribbean island of St. Kitts.

## POLITICS

# Money, denials and stalling: How Trump, the **Mercers** and the **GOP** beat the **FEC**

PUBLISHED FRI, NOV 12 2021·5:31 PM EST | UPDATED FRI, NOV 12 2021·10:46 PM EST



Brian Schwartz  
@SCHWARTZBCNBC

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## KEY POINTS

- The Federal Election Commission has called off its probe into **Cambridge Analytica**, the firm that worked for Donald Trump's 2016 campaign and other Republican-run groups.
- The investigation resulted from multiple complaints, including one from campaign watchdog Common Cause, that alleged **campaign-law violations**.
- Records the FEC recently made public, which have gone unreported, detail how the **regulator was outmaneuvered at every turn** by high-powered lawyers.

What keeps  
CEOs and  
boards up  
at night?

# How I know about this

- **2 years training to be an offshore wealth manager**
  - goal: sociological study of wealth inequality—went looking for the aristocracy but found kleptocrats & an elite insurgency instead
  - didn't practice, but credential was required to access practitioners, their professional society meetings, online chat groups, etc.
- **spent next 15 years among the offshore experts**
  - ethnographic immersion, observation & interviews with 70 wealth managers in 19 countries
  - generated testable propositions with qualitative work, now exploring with Big Data from 7TB of offshore leaks

“This closed shop of wealthy people...the higher you go up the economic ladder, the smaller the group becomes, and the people went to business school together, they have known each other for decades, and they talk to each other.” (*Dieter, German wealth manager*)

little  
the  
business

### Key insight

**A small group of offshore professionals—perhaps a few hundred—enable the kleptocrats to undermine democracy, distort capitalism & destroy the environment. These individuals can be slowed or stopped.**

San Francisco: 1

Los Angeles: 3

Cayman Island

Panama City: 4

Montevideo: 1

Buenos Aires: 2

Johannesburg: 5

Dubai: 3

Singapore: 2

Seychelles: 2

Mauritius: 4

Shanghai: 1

Hong Kong: 4

Cook Islands: 4

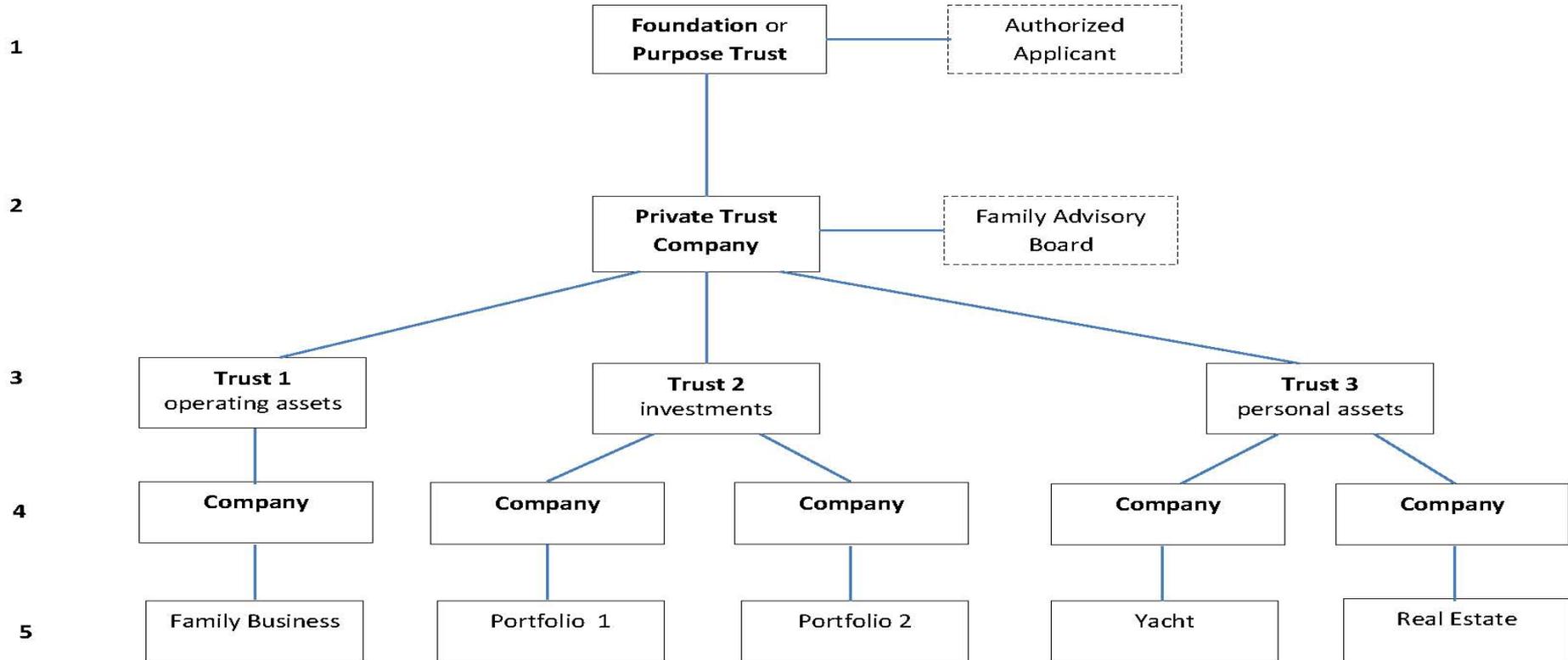
# ***The mechanics of secrecy***

**how wealth managers fuel the  
kleptocratic insurgency offshore**

# 1. Disappearing assets

- “I want to be invisible”
  - motto for the service the experts sell
  - manifests as legal invisibility of wealth, uncertainty around ownership, low accountability for tax, debts, etc.
- creating strategic ambiguity
  - offshore minimizes regulation and public records
  - obscure ownership through use and layering of 3 tools: corporations, foundations and trusts

# Sample structure



# 2. Geographical diversification

- scattering assets across multiple countries
  - preferably to countries that will make it difficult for tax authorities to get any meaningful information
  - forcing tax agencies to engage with multiple legal systems, languages & gatekeepers

*The game is to impose prohibitive **transaction costs** on anyone trying to collect taxes or ensure debt repayment or compliance with sanctions: it's just too costly for most governments or private entities to hunt through these mazes.*

# 3. “Hacking sovereignty”

- **strategic exploitation of the geographical limits of state borders & legal control**
  - national boundaries can't contain with highly fungible, highly mobile wealth and its owners
  - national laws as “shopping” opportunities for elites
- **influence over government processes**
  - in some countries, especially offshore, wealth managers help write the laws that govern their work
  - ...including sanctions imposed on other professionals

# Now for the good news

- the central vulnerability is a huge **vulnerability** in the offshore network
  - we can't see the nodes
- main finding
  - like
  - at the
  - nodes, susceptible to corruption
  - the nodes are the **wealth managers**



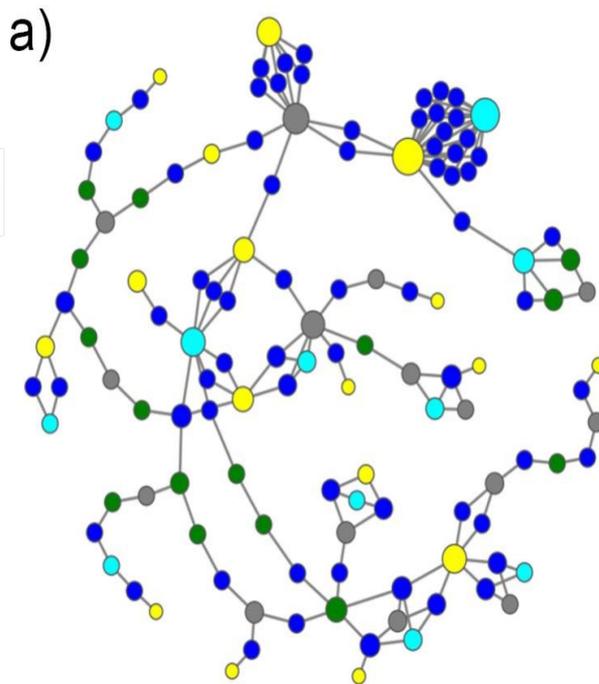
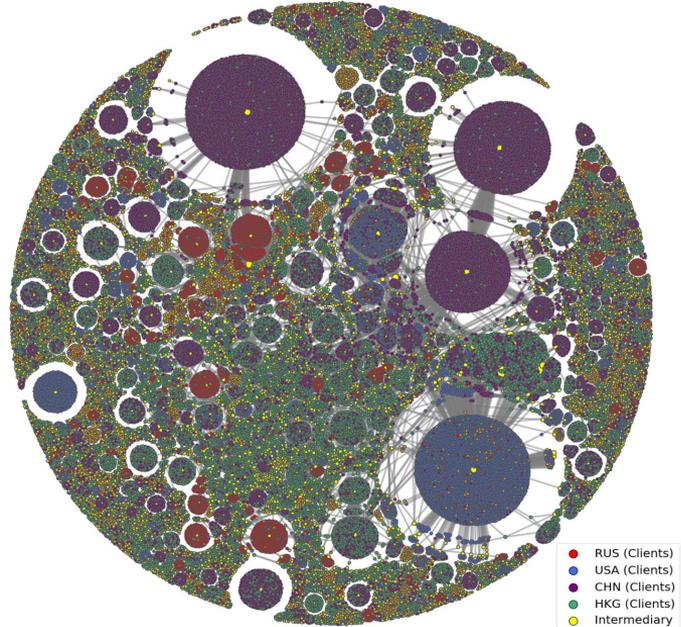
**Suggests why decades of anti-corruption laws & sanctions haven't worked.**

# Case Study| Russian Oligarchs Sanctioned Since the February 2022 Invasion of Ukraine

*Why have international financial sanctions against these oligarchs been so ineffective in the past?*

*Because the sanctions are directed only at the beneficiaries of the system, not its creators.*

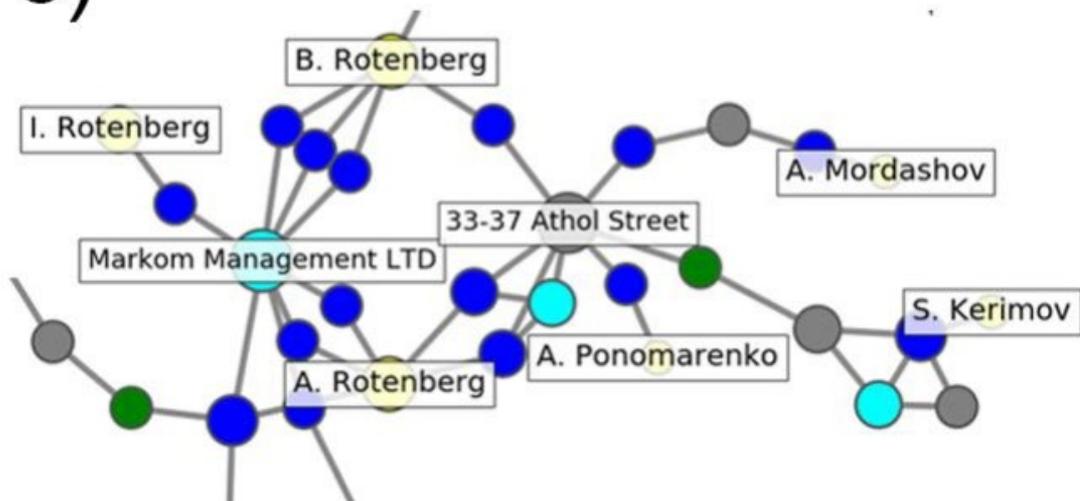




# Offshore Networks of Sanctioned Russian Oligarchs

- of 44 sanctioned oligarchs, **26** appeared in the ICIJ database
- most of the 26 had been sanctioned before 2022 invasion
- all oligarchs can be **connected within 124 nodes**

c)



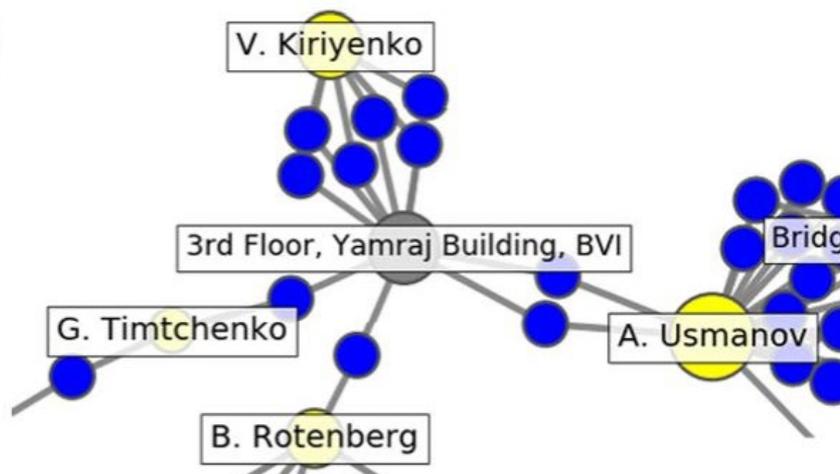
# Social Patterns

- **wealth managers** not only link oligarchs to their own offshore entities, but to *other oligarchs*

- exposes **underlying relationship:**

e.g., London-based Markom works with whole Rotenberg family—among **wealthiest** people in Russia & **close personal friends** of President Vladimir Putin

d)



## Geographic Patterns

- four oligarchs linked through one building in the British Virgin Islands
- not just a front where their shell companies are registered, it's the legal "watering hole" where their wealth managers intersect

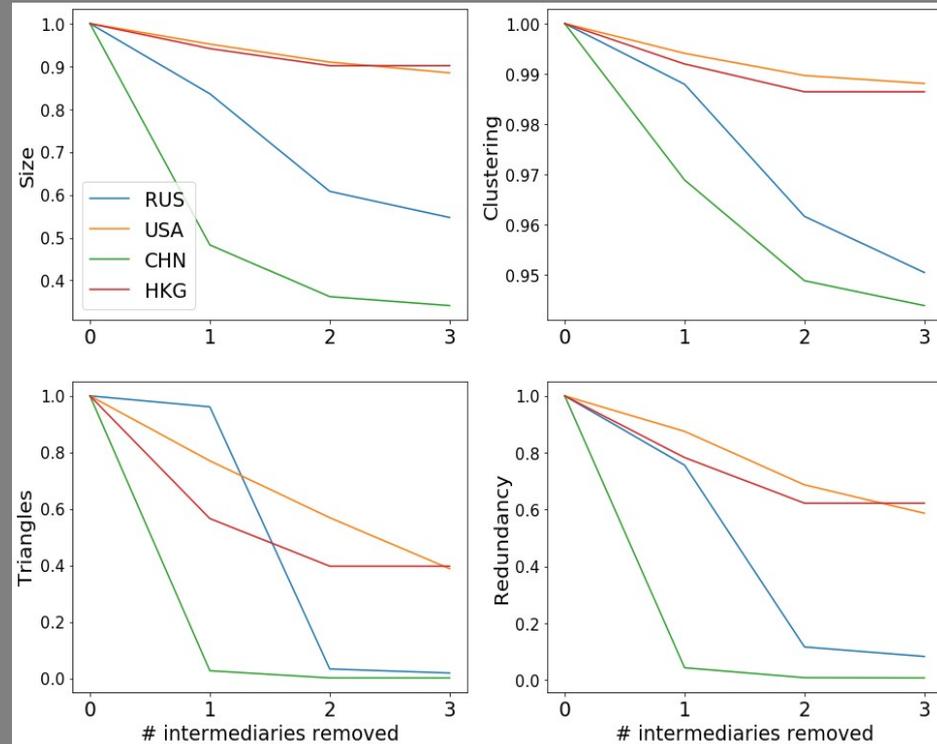
# Knock-out experiments

RUS & CHN much steeper than USA & HKG

**Method:** iteratively remove the most densely linked wealth managers; assess changes to the sub-network of clients (uni-modal)

**Finding:** much higher concentration of ties & less redundancy in ties to wealth managers *among elites from more authoritarian regimes* (mafia logic, Gambetta 2009)

\*NB: tie diversification  $\neq$  asset diversification



# So what?

- these findings suggest a strategy to fight kleptocracy
  - **sanction the wealth managers**—the hubs of the kleptocrats' offshore networks—to cut off the insurgency's access to its war chest
  - **that means**: banning the experts from working with sanctioned clients
  - simple but effective: **implemented** by US, UK and EU in 2022
  - legal basis in Cold War **limits on transfer of expertise** re: nuclear, biological and chemical weapons (experts can work, just not with sanctioned clients)

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**Submission deadline: May 15, 2025**

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